

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**Agenda ID 14641**  
**ENERGY DIVISION** **RESOLUTION E-4770**  
**February 25, 2016**

**R E S O L U T I O N**

Resolution E-4770. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company. Commission Motion Authorizing Biomass Procurement in High Hazard Zones.

**PROPOSED OUTCOME:**

- Requires Pacific Gas and Electric Company (PG&E), Southern California Edison Company and San Diego Gas & Electric Company (SDG&E) to hold a solicitation for facilities that use biofuel from high hazard zones, which shall commence no later than July 1, 2016 using the Renewable Auction Mechanism procurement mechanism and standard contract.
- Allows PG&E and SDG&E to enter into bilateral contracts with existing forest bioenergy facilities receiving forest feedstock from high hazard zones during their 2015 Renewables Portfolio Standard solicitation cycle.

**SAFETY CONSIDERATIONS:**

- This Resolution supports the Governor's Emergency Proclamation to address public safety and property from falling dead trees and wildfire.
- Renewable Auction Mechanism standard contracts contain Commission approved safety provisions, which require the seller to comply with all applicable requirements of law relating to the projects including those related to planning, construction, ownership, and/or operation of the projects. As a result, there are not any expected incremental safety implications associated with approval of this resolution.

**ESTIMATED COST:**

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- This Resolution is expected to result in additional contracts which will lead to increased ratepayer costs. Actual costs of the contracts are unknown at this time.

By Energy Division's own motion pursuant to Governor Brown's Emergency Proclamation dated October 30, 2015.

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## **SUMMARY**

This Resolution orders Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (collectively, investor-owned utilities or IOUs) to hold a solicitation for contracts with facilities that can use biofuel from high hazard zones to address an Emergency Proclamation. The solicitations using the Renewable Auction Mechanism (RAM) procurement mechanism and standard contract shall commence no later than July 1, 2016.

This Resolution also allows PG&E and SDG&E to enter into bilateral contracts during their respective 2015 Renewables Portfolio Standard (RPS) solicitation cycles.

## **BACKGROUND**

### **Overview of the Emergency Proclamation**

Severe drought conditions and an epidemic infestation of bark beetles have caused tree mortality in several regions of California. On October 30, 2015, Governor Brown issued an Emergency Proclamation (Proclamation)<sup>1</sup> to protect public safety and property from falling dead trees and wildfire. Ordering Paragraph 1 of the Proclamation tasked the Department of Forestry and Fire Protection, the California Natural Resources Agency, Caltrans, and the California Energy Commission to immediately identify "high hazard zones for wildfire and falling trees" and ordered the California Public Utilities Commission

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<sup>1</sup> [https://www.gov.ca.gov/docs/10.30.15\\_Tree\\_Mortality\\_State\\_of\\_Emergency.pdf](https://www.gov.ca.gov/docs/10.30.15_Tree_Mortality_State_of_Emergency.pdf)

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(Commission) to take various measures to expedite contracts may be executed for bioenergy facilities that receive feedstock from high hazard zones.

The Proclamation's orders are intended to address certain safety and wildfire risks. This Resolution addresses specific orders of the Proclamation, which are directed at the Commission to:

- Use its authority to extend contracts on existing forest bioenergy facilities receiving feedstock from high hazard zones. (Ordering Paragraph 8 of Proclamation)
- Take expedited action to ensure that contracts for new forest bioenergy facilities receiving feedstock from high hazard zones can be executed within six months, including initiation of a targeted RAM and consideration of adjustments to the Bioenergy Market Adjusting Tariff (BioMAT). (Ordering Paragraph 9 of Proclamation)

### **Overview of RAM**

The RAM auction is a renewable procurement process characterized by a standard non-negotiable contract that the IOUs may use to procure RPS eligible generation via a stand-alone auction. On November 20, 2014, the Commission adopted in Decision (D.) 14-11-042 revised the RAM process in the following ways:

- IOUs can determine the optimal maximum project size for any procurement targeted through RAM.
- The geographic location of projects is the entire California Independent System Operator (CAISO) control area and resources that can be dynamically scheduled into the CAISO.
- IOUS must rank and select bids using Commission-approved least-cost best-fit methodology, consistent with the annual RPS program.
- A Phase II Interconnection Study must be obtained prior to participating in a utility's RAM procurement process consistent with the annual RPS solicitation requirement.
- Projects should be online within 36-months with a 6 month regulatory delay extension.

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In D.10-12-048, the Commission concluded that the Director of Energy Division should have the authority to “explore methodologies for aligning RAM procurement authority with the Commission’s procurement planning process to assess the need for RAM capacity and products in the future” and that the Director of Energy Division, “may issue a resolution . . . on its own motion” to pursue these types of changes.<sup>2</sup> In D.14-11-042 the Commission determined that an IOU could use RAM procurement to satisfy a Commission or legislative mandate.<sup>3</sup>

### **Overview of D.15-12-025 accepting draft 2015 RPS Procurement Plans**

Pursuant to the authority provided in Public Utilities Code § 399.13(a)(1), D.15-12-025 accepted, with some modifications, the draft 2015 RPS Procurement Plans, including the related solicitation protocols, filed by the IOUs. The *Assigned Commissioner’s Ruling Identifying Issues and Schedule of Review of 2015 RPS Plans*, issued on May 28, 2015, identified information regarding RPS Portfolio Supplies and Demand for inclusion in the 2015 Procurement Plans. D.15-12-025 accepted PG&E’s and SDG&E’s position that they were well-positioned to meet their RPS targets and would therefore not issue a 2015 RPS solicitation. D.15-12-025 also specified that PG&E and SDG&E were required to first seek the Commission’s permission before entering into any solicitations or bilateral contracts for RPS-eligible resources during the time period covered by their respective 2015 RPS solicitation cycles.

### **DISCUSSION**

Ordering Paragraph 1 of the Proclamation directs “the Department of Forestry and Fire Protection, the California Natural Resources Agency, Caltrans, and the California Energy Commission to immediately identify areas of California that represent high hazard zones for wildfire and falling trees using best available science and geospatial data. “

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<sup>2</sup> See, D.10-12-048, Conclusions of Law 11, 12, and 15.

<sup>3</sup> See, D.14-11-042, page 102

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Pursuant to Ordering Paragraph 1, the Department of Forestry and Fire Protection, the California Natural Resources Agency, the California Department of Transportation, and the California Energy Commission will designate the high hazard zones for wildfire and falling trees. To ensure that only fuel from high hazard zones for wildfire and falling trees is used, the IOUs shall propose language similar to that used in the RPS standard contract that requires a seller to warrant that the fuel has been taken from such an area.

Ordering Paragraph 9 of the Proclamation requires the Commission to take expedited action to ensure contracts for new forest bioenergy facilities receiving feedstock from high hazard zones can be executed within six months, including initiation of a targeted RAM.

In accordance with the Proclamation, the IOUs shall execute an expedited process to hold a RAM auction targeted at facilities that utilize fuel from high hazard areas no later than July 1, 2016. The auction shall be specific to address the Proclamation and include the following parameters:

- The auction shall be open to both existing and new facilities but IOUs may favor earlier online dates in the bid evaluation process, in recognition of the state of emergency.
- The IOUs shall procure at least 30 MW (12 MW PG&E, 12 MW SCE, and 6 MW SDG&E) from the RAM auction. The IOUs may procure more capacity than these required minimums.
- The IOUs shall require that at least 80% of the fuel source, measured on an annual basis, should come from high hazard zones.
- IOUs should propose contract language which permits fuel switching from high hazard zone fuel to other RPS-eligible fuels once the emergency is declared over or once there is not sufficient fuel from high hazard zones to meet at least 80% of the facility's needs annually.
- IOUs shall verify that the contracting facilities are using fuel from high hazard zones and provide information about their verification processes and findings to the Director of the Energy Division on request.
- Current RAM viability screens and requirements specified in D.14-11-042 continue to apply.

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Consistent with the above requirements, the IOUs shall file Tier 2 Advice Letters proposing a rider to be used with the current RAM contracts and solicitation documents for Commission approval prior to initiating the RAM auctions pursuant to this Resolution.

D.15-12-025 concluded that PG&E's and SDG&E's request not to hold a 2015 solicitation were reasonable. D.15-12-025 also held that should PG&E and SDG&E determine that an RPS solicitation or bilateral contracts are needed during the time period covered by the 2015 solicitation cycle, PG&E and SDG&E were directed to first seek the Commission's permission. To implement the Proclamation, it is essential that PG&E and SDG&E be allowed to enter into bilateral contracts to facilitate any potential contracts with existing forest bioenergy facilities receiving feedstock from high hazard zones.

Therefore, PG&E and SDG&E are allowed to enter into bilateral contracts with existing forest bioenergy facilities receiving feedstock from high hazard zones during the duration of the 2015 RPS solicitation cycle.

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**SAFETY**

Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This Resolution supports a Governor's Emergency Proclamation to address bark beetle caused tree mortality and the hazards such tree mortality creates for the State of California, among other things, wildfires and tree falls that endanger thoroughfares, electric power lines, and public and private structures.

Additionally, RAM contracts to be used pursuant to this resolution contain Commission approved safety provisions, which require, among other things, the seller to operate the generating facility in accordance with Prudent Electrical Practices, as defined in the contracts, and all applicable requirements of law, including those related to planning, construction, ownership, and/or operation of the projects. These provisions specifically require that all sellers take a list of reasonable steps to ensure that the generation facility is operated, maintained, and decommissioned in a safe manner.

**COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived "in an unforeseen emergency ... ." The Commission's Rules of Practice and Procedure also provides that public review and comment may be waived or reduced in an "unforeseen emergency situation" specifically where there are "[a]ctivities that severely impair or threaten to severely impair public health or safety (Rule 14.6(a)(1) and/or where there are "[c]rippling disasters that severely impair public health or safety" (Rule 14.6(a)(2).

The 30-day comment period has been reduced pursuant to these authorities.

**FINDINGS**

1. For the purpose of the solicitation authorized herein, the Department of Forestry and Fire Protection, the California Natural Resources Agency, the

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California Department of Transportation, and the California Energy Commission will designate the high hazard zones for wildfire and falling trees.

2. Ordering Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company to hold a solicitation for facilities that can use biofuel from high hazard zones using the Renewable Auction Mechanism procurement process and standard contract is consistent with Ordering Paragraph 9 of the Tree Mortality Emergency Proclamation.
3. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company holding an expedited Renewable Auction Mechanism auction targeted at facilities that utilize fuel from high hazard areas no later than July 1, 2016 is consistent with Ordering Paragraph 9 of the Tree Mortality Emergency Proclamation.
4. Allowing Pacific Gas and Electric Company and San Diego Gas & Electric to enter into bilateral contracts with facilities receiving feedstock from high hazard zones during the duration of the 2015 Renewables Portfolio Standard solicitation cycle is consistent with Ordering Paragraph 8 of the Tree Mortality Emergency Proclamation.

**THEREFORE IT IS ORDERED THAT:**

1. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company, are ordered to hold a solicitation using a Renewable Auction Mechanism procurement process and standard contract with rider for facilities that can use biofuel from the high hazard zones, as designated pursuant to the Governor's Tree Mortality Emergency Proclamation, to commence no later than July 1, 2016. The solicitation should be consistent with the parameters on Page 5 and 6 of this Resolution.
2. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company are ordered to file Tier 2 Advice Letters consisting of a rider to be used along with the current, approved standard Renewable Auction Mechanism contract for the above solicitation and the solicitation documents, within 30 days from today.



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3. Pacific Gas and Electric Company and San Diego Gas & Electric Company are allowed to enter into bilateral contracts with facilities receiving feedstock from high hazard zones during the duration of the 2015 Renewables Portfolio Standard solicitation cycle.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 25, 2016; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director